

VZCZCXYZ0031
RR RUEHWEB

DE RUEHLP #2622/01 2711849
ZNR UUUUU ZZH
R 281849Z SEP 06
FM AMEMBASSY LA PAZ
TO RUEHC/SECSTATE WASHDC 0717
INFO RUEHAC/AMEMBASSY ASUNCION 6133
RUEHBO/AMEMBASSY BOGOTA 3450
RUEHBR/AMEMBASSY BRASILIA 7308
RUEHBU/AMEMBASSY BUENOS AIRES 4570
RUEHCV/AMEMBASSY CARACAS 1827
RUEHPE/AMEMBASSY LIMA 1867
RUEHME/AMEMBASSY MEXICO 1796
RUEHMN/AMEMBASSY MONTEVIDEO 4041
RUEHQ/AMEMBASSY QUITO 4463
RUEHSG/AMEMBASSY SANTIAGO 9037
RUCPDOC/DEPT OF COMMERCE WASHINGTON DC

UNCLAS LA PAZ 002622

SIPDIS

SIPDIS

STATE FOR EB/TPP/ABT TLERSTEN AND WHA/AND LPETRONI
COMMERCE FOR ITA/OTEXA MDANDREA AND JANGLIN
STATE PASS TO USTR FOR AHEYLIGER

E.O. 12958: N/A

TAGS: ETRD ECON KTEX BL

SUBJECT: TEXTILES AND APPAREL: CONTINUED RELIANCE ON ATPDEA
PREFERENCES

REF: STATE 138090

¶1. (U) Summary: While the expiration of global textile and apparel quotas may have adversely affected small Bolivian producers, large manufacturers' exports will likely remain strong, at least as long as they benefit from Andean Trade Promotion and Drug Eradication Act (ATPDEA) preferences. If these disappear, say exporters, Bolivian producers will find themselves unable to compete with cheaper products from China and other Asian nations. That said, with greater political and economic certainty, flexible labor laws, and access to financing, industry representatives believe Bolivian textile and apparel manufacturers can compete even in a tough global environment. End summary.

¶2. (U) Anecdotal evidence suggests that the expiration of global textile and apparel quotas and related increases in relatively inexpensive imports has pushed some Bolivian firms out of business, particularly those operating in the informal sector and producing primarily for domestic markets. Many small businesses have found their products undercut not only by cheaper imports from China and other Asian countries, but also by rapidly increasing used clothing imports (allowed until April 2007). For many family-owned enterprises, the latter seems to be a greater threat.

¶3. (U) Large manufacturers say their exports will likely remain strong, at least as long as they benefit from Andean Trade Promotion and Drug Eradication Act (ATPDEA) preferences, which provide a 17-22 percent price advantage over competitors subject to U.S. textile and apparel tariffs.

Bolivia's largest apparel manufacturer, Ametex, exports approximately 750,000 units of clothing to U.S. markets every month, all of them under ATPDEA trade preferences. Another firm, Mitsuba, exports on a much smaller scale (approximately 9,000 units of clothing per month) but also relies heavily on existing trade benefits. In the absence of duty-free access to U.S. markets, say company representatives, firms would find it difficult, if not impossible, to compete.

¶4. (U) According to Ametex President Marcos Iberkleid, the potential expiration of ATPDEA trade preferences is of far greater concern than the end last year of global textile and

apparel quotas or increased competition from China and other Asian nations. The firm's export volume is up 19 percent, thanks largely to product diversification, new markets, and greater flexibility in responding to clients' needs, but the firm has lost at least one major U.S. client to uncertainty over continued ATPDEA benefits. Mitsuba executive Henry Casana worries that his exports may also be affected - a particularly grave concern for a firm that sends 95 percent of its products to the United States.

¶5. (U) In a general sense, increased global competition has forced some manufacturers to lower prices and improve efficiency. Iberkleid reports that he has consolidated manufacturing facilities and streamlined operations, dismissing some mid- and senior-level employees and making significant operational changes. In the short-term, ATPDEA trade preferences may be sufficient to allow Bolivian textile and apparel manufacturers to remain competitive, but Iberkleid and others say they prefer a long-term trade agreement and accompanying stability. With this, and with greater political and economic certainty, flexible labor laws, and access to financing, industry representatives believe Bolivian textile and apparel manufacturers can compete even in a tough global environment.

¶6. (U) Bolivian textile and apparel exports accounted for approximately 2 percent (\$51.6 million) of total exports of \$2.7 billion in 2005; textile and apparel exports to the United States totaled an estimated \$34 million. Textile and apparel imports accounted for approximately 2 percent (\$50.2 million) of total imports of \$2.4 billion in 2005. Industrial/manufacturing exports totaled \$932 million in ¶2005. Textile and apparel employment figures are unavailable, but industry executives estimate that between

10,000 and 20,000 people are involved in the sector in some capacity.

URS